



CITY OF HAYWARD

AGENDA REPORT

AGENDA DATE 07/27/99

AGENDA ITEM 8

WORK SESSION ITEM

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Authorization for the City Manager to Execute a First Amendment to the Lease Between the City of Hayward and Hayward Airport Associates No. 6 and to Take Related Actions

RECOMMENDATION:

It is recommended that City Council authorize the City Manager to execute a first amendment to the lease between the City of Hayward and Hayward Airport Associates No. 6. and all related documents that will:

1. Expand their leasehold property by approximately 12,391 square feet (35' x 354');
2. Vacate the driveway easement that will no longer be necessary as a result of expanding the leasehold; and
3. Acknowledge that Watt Investment Properties, Inc., the general partner of Lessee, has transferred its interest in Hayward Associates No.6 to Wadsworth Associates, LLC, an affiliate of Watt Investment Properties, Inc., and affirm that the City consents to the transfer.

BACKGROUND:

On July 15, 1988, Hayward Airport Associates No. 6, a California limited partnership (Lessee), entered into a lease with the City of Hayward for the real property commonly known as 20777 Hesperian Boulevard and generally referred to as the "Executive Inn" property. This property, consisting of approximately 2.7 acres, is currently subleased by Hanford Hotels, Inc. The Lease is for a 50-year term from July 15, 1988 to October 10, 2038. Additionally, there is a one-time option opportunity to extend the Lease until December 1, 2045.

The Lessee desires to extend its property interest along Hesperian Boulevard in a southeasterly direction by 35 feet (See Exhibit A) to provide for additional parking. The additional proposed leasehold property includes 12,391 square feet. Additional rent to be paid by the Lessee for the added property is \$1.00 per square foot per year (\$12,391 annually). This amount represents current market value rent for the property. Rent for the added property will be increased by 15% in 2008 and by 15% every 10 years thereafter. The expanded leased property is consistent with the proposed property line for the pending Home Depot project.

As a related point of information, Hanford Hotel representatives have expressed an interest in exploring the feasibility of expanding the Executive Inn onto the property that is currently vacant at the corner of A Street and Hesperian Boulevard (Parcel 1 on Exhibit A). Should this analysis yield a positive result, it will be the subject of separate action by the Council at some future date.

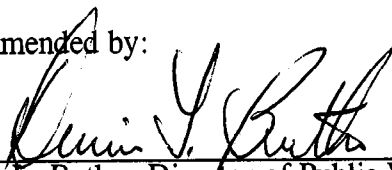
Upon execution of the original Lease in 1988, a *Declaration and Grant of Easement* was recorded on July 15, 1988, granting Hayward Associates No. 6 an easement over a portion of their parcel and the adjacent parcel (currently vacant). The purpose of the easement was to preserve access to/from Hesperian Boulevard between these two parcels. Following the proposed Lease amendment, Hayward Associates No. 6 would have the entire width of the easement contained completely within their leasehold. Therefore, an access easement would no longer be required.

In 1994, the general partner (Watt Investment Properties, Inc.) of Lessee (Hayward Airport Associates No.6) transferred its interest in Hayward Associates No.6 to Wadsworth Associates, LLC, an affiliate of Watt Investment Properties, Inc. Since any assignment of the lease requires City approval, the Lessee is requesting that the City acknowledge such transfer of interest to its affiliate. Staff has investigated the finances of Wadsworth Associates, LLC and, finding them to be financially responsible, recommends approval.

Prepared by:


FOR Brent S. Shiner, Airport Manager

Recommended by:


Dennis L. Butler, Director of Public Works

Approved by:


Jesús Armas, City Manager

Attachment: Exhibit A, Leased Parcel

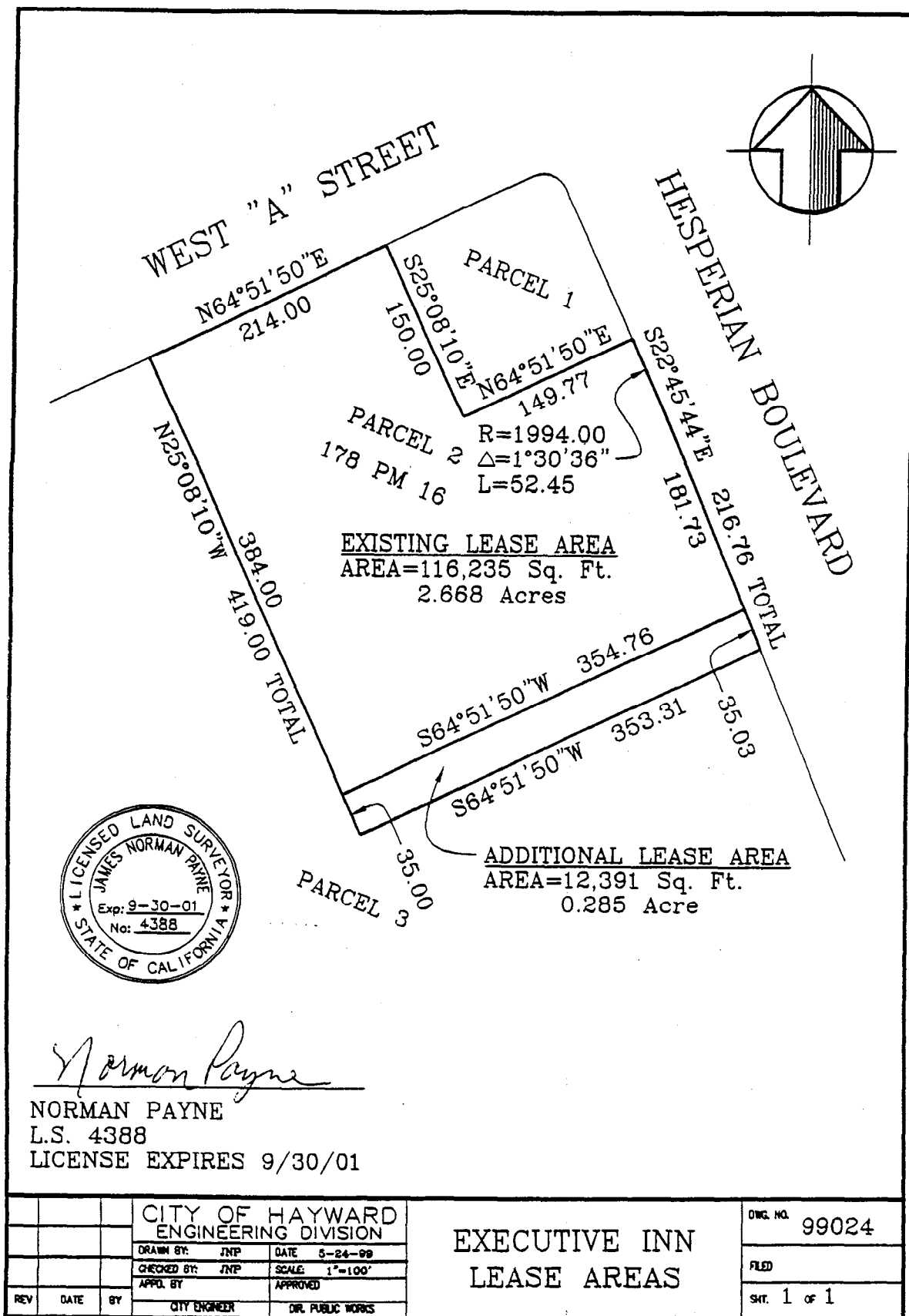


Exhibit A

BM 7-13-95
HAYWARD CITY COUNCIL

RESOLUTION NO. _____

DRAFT

Introduced by Council Member _____

**RESOLUTION AUTHORIZING THE CITY MANAGER
TO EXECUTE FIRST AMENDMENT TO THE LEASE
WITH HAYWARD AIRPORT ASSOCIATES NO. 6 AND
TO TAKE RELATED ACTIONS**

WHEREAS, the City Council entered into a ground lease on July 15, 1988 with Hayward Airport Associates No. 6 for the lease of an approximately 2.7 acre property commonly known as 20777 Hesperian Boulevard, which is currently used as an Executive Inn site; and

WHEREAS, Hayward Airport Associates No. 6 has asked to extend its leasehold interest along Hesperian Boulevard in a southeasterly direction by 35 feet to provide additional parking; and

WHEREAS, the property which is the subject of the proposed lease amendment is subject to an access easement previously granted to Hayward Airport Associates No. 6, recorded on July 15, 1988, which access easement becomes unnecessary if the lease amendment is approved; and

WHEREAS, the City has also been asked to consent to a change in the general partner of Hayward Airport Associates No. 6 from Watt Investment Properties, Inc to Wadsworth Associates, LLC; and

WHEREAS, the City Council considered this matter at a public meeting on July 20, 1999.

BE IT RESOLVED by the City Council of the City of Hayward that the City Manager is hereby authorized and directed to execute on behalf of the City of Hayward the following instruments and documents:

- (1) A First Amendment to the Lease between the City of Hayward and Hayward Airport Associates No. 6 Site in a form acceptable to the City Attorney and the City Manager, to expand the lessee's leasehold property by approximately 12,391 square feet (34" x 354") with additional rent to be paid at the rate of \$1.00 per square feet per year (\$12,391).
- (2) To vacate the driveway easement granted on July 15, 1988 to Hayward Airport Associates No. 6 and Watt Commercial Properties, Inc.

- (3) Acknowledge and consent to a change in the general partner of Hayward Airport Associates No. 6 from Watt Investment Properties, Inc. to Wadsworth Associates, LLC, an affiliate of Watt Investment Properties, Inc., and affirm that the City consents to the transfer.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 1999

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward